



## **Orange Research Inc.**

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Members of the Committee on Finance, Revenue and Bonding  
Testimony Bill No. 1055

ACC Various Tax Credits and an Exemption to, and Study of the Income Tax

I am president of Orange Research, a small, family owned, manufacturing company located in Milford, Connecticut. I am here to recommend that Bill No. 1055 be amended to include R&D tax credits for flow through entities. I wanted to make you aware of the importance of expanding R & D tax credits to flow through entities like Sub "S" corporations, LLC's and proprietorships. Most of the smaller manufacturers in Connecticut employ, on average, 35 people and are flow through entities. Most smaller manufacturers are cash strapped and a perfect solution to help the smaller manufacturer grow and create desperately needed jobs in Connecticut, would be to allow these companies to receive the Connecticut R&D tax credit.

Orange Research manufactures proprietary industrial instrumentation which is sold domestically and internationally. Ten years ago we began a lean transformation with our company and have been able to take advantage of the continuous improvement philosophy to help Orange Research remain competitive in an ever changing and competitive global marketplace. This has set a good foundation for the company; however, in order for us to remain competitive we need to grow. Over the last three years we have been able to receive the Federal R&D tax credit. The credit is to help offset R&D spending for wages, material & supplies, and contract services. In 2010 we spent \$365,339 and received a federal tax credit of \$25,168. We were unable to receive the Connecticut R&D tax credits of \$30,667 because we are a flow through entity and not a "C" corporation. In 2011 we spent \$393,402 and in 2012 \$ 465,196 receiving Federal tax credits for those two years of \$23,575 and \$27,981. We were unable to receive Connecticut tax credits worth \$19,965 and \$24,688. We have spent well over one million dollars on R&D over the past three years and received \$76,724 Federal R&D tax credits and were unable to receive \$75,330 of Connecticut R&D tax credits. This is a small Federal and State investment in our overall commitment which will create jobs.

We are making a large investment year after year to grow our business and create the need for jobs in Connecticut. The R&D tax credits help us to invest in these projects and accelerate the process. Most new industrial products take a number of years to mature before we see any significant return on our investment and the Federal R&D tax credit and, if applicable, State R&D tax credit would help us to continue to make these investments. So why do "C" corporations have the exclusive right to participate in the Connecticut R&D tax credit? Many of the smaller manufacturers are suppliers and support the larger "C" corporations. In addition our neighboring states New York and Massachusetts offer a State R&D tax credit in addition to the Federal R&D tax credit. If you want to create jobs in Connecticut you need to help us make



*"the differential pressure people"*

investments in business growth which in turn will create the need for more jobs by expanding the State R&D tax credit to pass through entities.

Paul Hoffman  
President  
Orange Research